

HERITAGE ACADEMY, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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October 22, 2020

Independent Auditor's Report

Board of Trustees
Heritage Academy, Inc.
Jerome, Idaho 83338

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Heritage Academy, Inc., as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of Heritage Academy, Inc., as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Heritage Academy, Inc., as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 17 to 20; the Employer Pension schedules on page 21 and 22; and the Notes to Required Supplementary Information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not required to be part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Heritage Academy, Inc. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020, on our consideration of the internal control over financial reporting of Heritage Academy, Inc., and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heritage Academy, Inc.'s internal control over financial reporting and compliance.

Retroat, Harberd & Assoc., P.A.

HERITAGE ACADEMY, INC.
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Total Governmental</u>
<u>ASSETS:</u>	
Pooled cash, cash equivalents and investments	\$ 193,704
Accounts receivable:	
State of Idaho:	
Foundation programs apportionment:	
Base support program	102,981
Federal grants	84,993
Other receivable	1,688
Prepaid expenses	441
Restricted cash, cash equivalents and investments	40,458
Capital assets:	
Land	75,000
Other capital assets, less accumulated depreciation	256,145
Total assets	<u>755,410</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Changes in pension assumptions or other inputs	16,346
Differences between expected and actual experience	27,310
Employer contributions to pension plan made subsequent to the measurement date for the net pension liability	112,845
Change in proportionate share percentage from prior years	33,699
Total deferred outflows of resources	<u>190,200</u>
<u>LIABILITIES:</u>	
Accounts payable	2,545
Salaries and benefits payable	35,781
Accrued interest payable	381
Note payable	231,500
Net pension liability	293,859
Total liabilities	<u>564,066</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Differences between expected and actual pension experience related to the pension plan	100,109
Net difference between projected and actual investment earnings on pension plan investments	34,633
	<u>134,742</u>
<u>NET POSITION:</u>	
Net investment in capital assets	331,145
Restricted	40,458
Unrestricted	(124,801)
Total net position	<u>\$ 246,802</u>

The accompanying notes are an integral part of the financial statements

HERITAGE ACADEMY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
<u>Functions/Programs:</u>				
<u>Governmental Activities:</u>				
Instruction and instruction-related services	\$ 951,278	\$ -	\$ 266,411	\$ (684,867)
Support services	254,116	-	28,628	(225,488)
Maintenance and operations	104,575	-	13,265	(91,310)
Transportation	88,830	-	69,840	(18,990)
Food services	110,981	433	102,951	(7,597)
Pension expense	113,284	-	-	(113,284)
Interest on long-term debt	381	-	-	(381)
Depreciation - unallocated*	7,164	-	-	(7,164)
Total governmental activities	<u>\$ 1,630,609</u>	<u>\$ 433</u>	<u>\$ 481,095</u>	<u>(1,149,081)</u>
 General Revenues:				
State aid not restricted to a specific purpose				1,056,195
Unrestricted investment earnings				696
Other local revenue				20,610
Total general revenues and special items				<u>1,077,501</u>
Change in net position				(71,580)
Net position-beginning of year				318,382
Net position-end of year				<u>\$ 246,802</u>

* This amount includes all depreciation. There is no depreciation that is included in the direct expenses of the various programs.

The accompanying notes are an integral part of the financial statements

HERITAGE ACADEMY, INC.
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Food Service Fund	Title I-A Basic Fund	IDEA Part B School-Age Fund	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS:						
Pooled cash and cash equivalents	\$ 178,175	\$ 12,700	\$ -	\$ -	\$ 2,829	\$ 193,704
Accounts receivable:						
State of Idaho:						
Foundation programs apportionment:						
Base support program	102,981	-	-	-	-	102,981
Federal grants	-	-	53,880	12,069	19,044	84,993
Other	306	1,382	-	-	-	1,688
Prepaid expenses	-	-	-	-	441	441
Due from other funds	69,335	-	-	-	-	69,335
Restricted cash and cash equivalents	40,458	-	-	-	-	40,458
TOTAL ASSETS	\$ 391,255	\$ 14,082	\$ 53,880	\$ 12,069	\$ 22,314	\$ 493,600
LIABILITIES:						
Accounts payable	\$ 284	\$ -	\$ -	\$ -	\$ 2,261	\$ 2,545
Salaries and benefits payable	21,100	2,077	6,878	3,666	2,060	35,781
Due to other funds	-	-	47,002	8,403	13,930	69,335
TOTAL LIABILITIES	21,384	2,077	53,880	12,069	18,251	107,661
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - Federal grants	-	-	10,691	4,148	2,325	17,164
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	10,691	4,148	2,325	17,164
FUND BALANCES:						
Restricted for:						
State Programs	-	-	-	-	2,208	2,208
Federal Programs	-	12,005	(10,691)	(4,148)	(470)	(3,304)
Local grants	69	-	-	-	-	69
Student-occupied building maintenance	40,389	-	-	-	-	40,389
Unassigned	329,413	-	-	-	-	329,413
TOTAL FUND BALANCES	369,871	12,005	(10,691)	(4,148)	1,738	368,775
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 391,255	\$ 14,082	\$ 53,880	\$ 12,069	\$ 22,314	\$ 493,600

Reconciliation to the Statement of Net Position:

Total Fund Balances - Governmental Funds		\$ 368,775
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Land and buildings		384,927
Accumulated depreciation		(53,782)
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the funds:		
Federal grant program revenues		17,164
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Note payable		(231,500)
Accrued interest payable		(381)
The net pension and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in the funds:		
Deferred outflows		190,200
Deferred inflows		(134,742)
Net pension liability		(293,859)
Total Net Position - Governmental Activities		\$ 246,802

The accompanying notes are an integral part of the financial statements

HERITAGE ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General	Food	Title I-A	IDEA	Nonmajor	Total
	Fund	Service	Basic	Part B	Governmental	Governmental
	Fund	Fund	Fund	School-Age	Funds	Funds
REVENUE:						
Interest on investments	\$ 696	\$ -	\$ -	\$ -	\$ -	\$ 696
Federal assistance	11,340	100,880	132,140	36,665	52,273	333,298
State assistance	1,139,300	-	-	-	51,202	1,190,502
Contributions	17,508	-	-	-	-	17,508
Other local revenue	4,939	2,071	-	-	-	7,010
Sale of lunches	-	433	-	-	-	433
Total revenue	<u>1,173,783</u>	<u>103,384</u>	<u>132,140</u>	<u>36,665</u>	<u>103,475</u>	<u>1,549,447</u>
EXPENDITURES:						
Current:						
Instruction - salaries and benefits	783,989	-	118,417	27,279	40,536	970,221
Instruction - other	7,489	-	21,373	11,883	53,157	93,902
Support services	196,391	-	-	-	57,725	254,116
Maintenance and operations	104,575	-	-	-	-	104,575
Transportation	88,830	-	-	-	-	88,830
Non-instruction	-	110,981	-	-	-	110,981
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>1,181,274</u>	<u>110,981</u>	<u>139,790</u>	<u>39,162</u>	<u>151,418</u>	<u>1,622,625</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(7,491)</u>	<u>(7,597)</u>	<u>(7,650)</u>	<u>(2,497)</u>	<u>(47,943)</u>	<u>(73,178)</u>
OTHER FINANCING SOURCES (USES):						
Loan proceeds	231,500	-	-	-	-	231,500
Operating transfers in	-	2,189	-	-	46,279	48,468
Operating transfers out	(48,468)	-	-	-	-	(48,468)
Total other financing sources (uses)	<u>183,032</u>	<u>2,189</u>	<u>-</u>	<u>-</u>	<u>46,279</u>	<u>231,500</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>175,541</u>	<u>(5,408)</u>	<u>(7,650)</u>	<u>(2,497)</u>	<u>(1,664)</u>	<u>158,322</u>
FUND BALANCE JULY 1, 2019	<u>194,330</u>	<u>17,413</u>	<u>(3,041)</u>	<u>(1,651)</u>	<u>3,402</u>	<u>210,453</u>
FUND BALANCE JUNE 30, 2020	<u>\$ 369,871</u>	<u>\$ 12,005</u>	<u>\$ (10,691)</u>	<u>\$ (4,148)</u>	<u>\$ 1,738</u>	<u>\$ 368,775</u>

Reconciliation to the Statement of Activities:

Total net changes in fund balances - governmental funds	\$ 158,322
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	-
Depreciation expense	(7,164)
Loan proceeds received that will be repaid in subsequent years are reported as revenues in the governmental funds but as a liability in the Statement of Net Position	(231,500)
Accrued interest payable reported in the Statement of Net Position does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds	(381)
Some Federal grant revenues will not be collected for several months after the Academy's fiscal year ends so they do not provide current financial resources and are not reported as revenues in the governmental funds:	
Current year grant revenues	17,164
Prior year grant revenues	(5,745)
Receivables for the prior fiscal year that were received after year-end but not soon enough to be available to pay prior year current resources are not reported in the funds	(1,837)
Changes in pension related deferred outflows of resources, deferred inflows of resources, and net pension liability do not require the use of current financial resources and are not reported in the governmental funds	(439)
Change in net position of governmental activities	<u>\$ (71,580)</u>

The accompanying notes are an integral part of the financial statements

HERITAGE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Heritage Academy, Inc., (the Academy) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Academy's more significant accounting policies follows.

A) Reporting Entity

Heritage Academy, Inc., is a charter school organized under the laws of the State of Idaho and is located in Jerome in the southern portion of Idaho. It is legally separate from and fiscally independent of other state and local governments. The Academy provides public education to children in the local area. Operations of the Academy are the responsibility of a five member Board of Directors. The Academy receives state, local, and federal government funding and must adhere to the legal requirements of each funding entity.

In evaluating how to define the Academy for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in accounting principles generally accepted in the United States of America. The Academy's financial statements present only the funds of those organizational entities for which its governing board is financially accountable.

B) Government-wide and Fund Financial Statements

The Academy's financial statements include the activities of the Academy. The Academy's *government-wide financial statements* provide both short-term and long-term information about the Academy's overall financial status. *Fund financial statements* focus on the individual activities of Academy government, reporting the Academy's operations in more detail than the government-wide financial statements.

Government-wide financial statements. The statement of net position and the statement of activities display information about the Academy. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The *statement of net position* presents information on all of the Academy's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted. Restricted net position is further classified as either restricted by enabling legislation or otherwise restricted.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event gives rise to the change that occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected federal grants and earned but unused vacation leave).

Amounts reported as program revenues on the government-wide financial statements include (a) charges for services - amounts received from customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by the Academy, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions. General revenues consist of taxes and all other revenues that do not meet the definition of program revenues. Special items are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence.

HERITAGE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Fund financial statements. The Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Academy's funds are reported in governmental funds. The Academy has no proprietary funds or fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use a current financial resources measurement focus and the modified accrual basis of accounting, focusing on the near-term inflows and outflows of spendable resources and balances of spendable resources available at fiscal year end. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Academy maintains eleven individual governmental funds. Information is presented separately for the following major funds:

General Fund - The General Fund is the Academy's primary operating fund. It accounts for all resources used to finance Academy maintenance and operation except those required to be accounted for in other funds.

Food Service Fund - The Food Service Fund accounts for the accumulation of financial resources to be used for providing food to school children.

Title I-A Basic Fund - The Title I-A Basic Fund accounts for the accumulation of federal financial resources provided to assist with improving the academic achievement of children from low-income families and to help ensure that all children meet the challenging state academic standards.

IDEA Part B School-Age Fund - The IDEA Part B School-Age Fund accounts for the accumulation of federal financial resources provided to assist with improving the academic achievement of children with disabilities.

Data from the other governmental funds (nonmajor funds) are combined into a single, aggregated presentation identified as "Nonmajor Governmental."

The Academy adopts annual budgets for the General Fund and a combined budget for all other funds. Budgetary comparison schedules have been provided for all major funds.

When both restricted and unrestricted resources are available for use for governmental activities, it is the Academy's policy to use restricted resources first, then unrestricted resources as they are needed.

HERITAGE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

C) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

1. Inventories

The Academy does not capitalize and reflect as inventory, expendable supplies on hand at fiscal year end. Materials and supplies are recorded as an expense of the period.

2. Capital Assets

Capital assets, which include property, plant, equipment, and land are reported in the government-wide financial statements. Assets are capitalized when they have a unit cost of \$4,000 or more.

Purchased or constructed capital assets are valued at cost or estimated historical cost if actual historical cost is not practicably determinable. Donated capital assets are recorded at their fair value at the time received.

Exhaustible capital assets are depreciated on the straight-line method over the asset's useful life. Depreciation expense is recorded in the government-wide financial statements. There is no depreciation recorded for land, construction in process, or other capital assets defined as inexhaustible. The Academy uses the guidance provided by the Association of School Business Officials International's GASB Statement 34 Implementation Recommendations for School Districts, which is included in the Idaho Financial Reporting Management System (IFARMS) manual, to determine asset lives.

3. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the funds. This is in conformance with Idaho State Statutes which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation.

4. Long-term Debt Obligations

In the government-wide financial statements long-term debt is reported as a liability. Issuance costs are deferred and amortized using the effective interest rate method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing uses and other financing uses, respectively.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Currently, pension related items, as listed in Note 6, are the only items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and the balance sheet include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The statement of net position reports pension related items, as listed in Note 6, as deferred inflows of resources. The balance sheet reports federal grant program revenues which are unavailable (will not be collected soon enough after year-end to pay for the current year's expenditures) as deferred inflows of resources.

HERITAGE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6. Pensions
For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
7. Net Position
In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the Agency reports all assets which make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the Agency. Unrestricted net position is the remaining net position not included in the previous two categories.
8. Fund Balance Classifications
Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance classifications.

Nonspendable - amounts that cannot be spent because they are either (a) not in a spendable form or (b) are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. Federal grant programs require that funds received be used only for those specific programs and are therefore classified as restricted.

Committed - amounts that can be spent only for specific purposes determined by a formal action of the Academy Board which is the highest level of decision-making authority for the Academy. These amounts cannot be used for any other purpose unless the Academy's Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned - amounts that do not meet the criteria to be classified as restricted nor committed but that are intended to be used for specific purposes. This intent can be expressed by the Academy's Board or Administrator.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Academy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Academy Board has provided otherwise in its commitment or assignment actions.

D) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

HERITAGE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

E) Inter-fund Transactions

On fund financial statements, inter-fund transactions are reflected as either loans or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds." Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

NOTE 2 - DEPOSITS AND INVESTMENTS

Idaho State statute authorizes the Academy to invest in a number of types of investments, including obligations of the U.S. Treasury, the State of Idaho or county, city or other taxing districts of the State of Idaho, commercial paper, corporate bonds, and repurchase agreements. Current Academy investments are limited to depository accounts.

The Academy maintains a cash and investment pool that is available for use by all funds. At June 30, 2020, the carrying amount of the pool was \$234,162. A reconciliation of this amount to the amounts in the financial statements is as follows:

Pooled cash, cash equivalents and investments	\$193,704
Restricted cash, cash equivalents and investments	<u>40,458</u>
	<u>\$234,162</u>

Deposits - For deposits, custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Academy does not have a formal policy regarding custodial credit risk. At June 30, 2020, the bank balance was \$256,871 of which \$6,871 was not covered by federal depository insurance.

Investments - The Academy had no investments at June 30, 2020.

Restricted Cash and Fund Balance - The fund balance at June 30, 2020, was restricted for the following specific uses: 1) amounts required to be used for student-occupied building maintenance were \$40,389; and 2) local grant funds collected to be used for various specific purposes was \$69.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2020</u>
Governmental Activities:				
Land	\$ 75,000	\$...	\$...	\$ 75,000
Buildings and Improvements	277,757	...	...	277,757
Equipment	<u>32,170</u>	...	...	<u>32,170</u>
Totals at historical cost	<u>384,927</u>	...	...	<u>384,927</u>
Less accumulated depreciation for:				
Buildings and Improvements ...	44,440	5,555	...	49,995
Equipment	<u>2,178</u>	<u>1,609</u>	...	<u>3,787</u>
Total accumulated depreciation	<u>46,618</u>	<u>7,164</u>	...	<u>53,782</u>
Governmental activities capital assets, net	<u>\$ 338,309</u>	<u>\$ 7,164</u>	<u>\$...</u>	<u>\$ 331,145</u>

Depreciation expense of \$7,164 was charged to the general government and was not allocated to individual programs or activities.

HERITAGE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - DEFICIT FUND BALANCE

Funds reporting a deficit fund balance at June 30, 2020, are:

Major Funds:		
Title I-A Basic Fund		\$ 10,691
IDEA Part B School-Age Fund		4,148
Nonmajor Governmental Funds:		
Title IV Student Support & Enrichment		979
Title II-A Teacher Quality		1,346

NOTE 5 - INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2020, the composition of inter-fund balances, which resulted from loans made from the General Fund to cover operating cash deficits in other funds, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I-A Basic	\$ 47,002
	IDEA Part B School-Age	8,403
	Technology Fund	3,315
	ESSERF Fund	441
	Title IV Student Support & Enrichment	8,911
	Title II-A Teacher Quality	1,263
		<u>\$ 69,335</u>

During the year ended June 30, 2020, the following amounts were transferred:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Food Service	\$ 2,189	Required by State law to cover FICA taxes
General Fund	Medicaid	\$ 46,279	Required to be transferred from the General Fund to cover expenses not covered by Medicaid reimbursements

NOTE 6 - PENSION PLAN

Plan Description

Heritage Academy, Inc., (Employer) contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits for eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

HERITAGE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate. As of June 30, 2019, it was 6.79%. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32%. Contributions of Heritage Academy, Inc., were \$98,978 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, Heritage Academy, Inc., reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Heritage Academy, Inc.'s proportion of the net pension liability was based on its share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2019, Heritage Academy, Inc.'s proportion was .02574381 percent.

For the year ended June 30, 2020, Heritage Academy, Inc., recognized pension expense of \$113,284. At June 30, 2020, Heritage Academy, Inc., reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,310	
Changes in assumptions or other inputs	16,346	\$100,109
Net difference between projected and actual earnings on pension plan investments	...	...
	...	34,633
Changes in proportionate share percentage from prior year	33,699	...
Heritage Academy, Inc., contributions subsequent to the measurement date	112,845	...
	<u>\$190,200</u>	<u>\$134,742</u>

The \$112,845 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability at the June 30, 2020, measurement date.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2018, the beginning of the measurement period ended June 30, 2019, is 4.8 years and 4.8 years for the measurement period ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows (using the future measurement dates for PERSI):

Year Ended June 30:	
2020	\$ (10,582)
2021	(45,335)
2022	(22,083)
2023	(13,087)

HERITAGE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP - 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2013 through June 30, 2017, which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2019, is based on the results of an actuarial valuation dated July 1, 2019.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of the System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income - Barclays Aggregate	30.00%	3.05%	0.80%
Broad US Equities - Wilshire 5000/Russell	55.00%	8.30%	6.05%
Developed Foreign Equities - MSCI EAFE/World ex US	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%

HERITAGE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Portfolio Arithmetic Mean Return	6.75%	6.75%
Portfolio Standard Deviation	12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return	6.13%	3.77%
Assumed Investment Expenses	0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses	5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses		4.19%
Portfolio Standard Deviation		14.16%

Valuation Assumption Chosen by PERSI Board

Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation	3.00%
Long-Term Expected Nominal Rate of Return, Net of Investment Expenses	7.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.05%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05%) or 1-percentage-point higher (8.05%) than the current rate:

	1% Decrease <u>(6.05%)</u>	Current Discount Rate <u>(7.05%)</u>	1% Increase <u>(8.05%)</u>
Employer's proportionate share of the net pension liability (asset)	<u>\$887,569</u>	<u>\$293,859</u>	<u>\$(197,119)</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At June 30, 2020, Heritage Academy, Inc., reported no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 7 - RISK FROM LOSSES/CONTINGENT LIABILITIES

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, students and guests; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims have not exceeded commercial insurance coverage in any of the last two years.

HERITAGE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by a grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

NOTE 8 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020, was as follows:

<u>Governmental Activities</u>	Balance July 1, 2019	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2020	Amounts Due Within <u>One Year</u>
Note payable to					
DL Evans Bank	\$...	\$ 231,500	\$...	\$ 231,500	\$ 108,702

Note Payable to DL Evans Bank

The Academy obtained a loan from DL Evans Bank in the amount of \$231,500 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 1, 2020, and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether the Academy will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 19 months beginning on October 28, 2020. The loan may be prepaid at any time with no prepayment penalty. The principal balance at June 30, 2020, is \$231,500.

As of June 30, 2020, debt service requirements to maturity for principal and interest, for the long-term liabilities, are as follows:

Year ended <u>June 30,</u>	Principal <u>Portion</u>	Interest <u>Portion</u>	Total <u>Payment</u>
2021	\$ 108,702	\$ 2,325	\$ 111,027
2022	122,798	565	123,363
	<u>\$ 231,500</u>	<u>\$ 2,890</u>	<u>\$ 234,390</u>

NOTE 9 - RELATED PARTY TRANSACTIONS

A company owned by a board member was paid \$2,774 during the year ended June 30, 2020, for webpage services provided to the Academy.

HERITAGE ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020.

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Over</u> <u>(Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
<u>REVENUE:</u>				
Local revenue	\$ 12,150	\$ 12,150	\$ 23,143	\$ 10,993
Federal assistance	30,000	30,000	11,340	(18,660)
State assistance	1,371,155	1,371,155	1,139,300	(231,855)
Other	-	-	-	-
Total revenue	1,413,305	1,413,305	1,173,783	(239,522)
<u>EXPENDITURES:</u>				
Salaries	841,352	841,352	720,736	(120,616)
Benefits	285,579	285,579	236,280	(49,299)
Purchased services	241,554	241,554	199,216	(42,338)
Supplies & materials	19,183	19,183	15,412	(3,771)
Insurance & judgments	10,000	10,000	9,630	(370)
Capital Outlay	-	-	-	-
Total expenditures	1,397,668	1,397,668	1,181,274	(216,394)
<u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</u>	15,637	15,637	(7,491)	(23,128)
<u>OTHER FINANCING SOURCES (USES):</u>				
Loan proceeds	-	-	231,500	231,500
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(48,468)	(48,468)
Total other financing sources (uses)	-	-	183,032	183,032
<u>EXCESS (DEFICIENCY) OF REVENUE AND OTHER</u>				
<u>FINANCING SOURCES OVER EXPENDITURES AND</u>				
<u>OTHER FINANCING USES</u>	\$ 15,637	\$ 15,637	\$ 175,541	\$ 159,904

HERITAGE ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2020.

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
	<u>REVENUE:</u>			
Federal assistance	\$ 94,650	\$ 94,650	\$ 100,880	\$ 6,230
Contributions	-	-	-	-
Sale of lunches	500	500	433	(67)
Other revenue	-	-	2,071	2,071
Total revenue	<u>95,150</u>	<u>95,150</u>	<u>103,384</u>	<u>8,234</u>
<u>EXPENDITURES:</u>				
Salaries	34,178	34,178	35,004	826
Benefits	13,181	13,181	12,147	(1,034)
Purchased services	6,000	6,000	105	(5,895)
Supplies & materials	37,791	37,791	63,725	25,934
Capital outlay	4,000	4,000	-	(4,000)
Total expenditures	<u>95,150</u>	<u>95,150</u>	<u>110,981</u>	<u>15,831</u>
<u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</u>	<u>-</u>	<u>-</u>	<u>(7,597)</u>	<u>(7,597)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	-	-	2,189	2,189
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,189</u>	<u>2,189</u>
<u>EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,408)</u>	<u>\$ (5,408)</u>

HERITAGE ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE
TITLE I-A BASIC FUND
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Budgetary</u>	<u>Budget</u>
			<u>Basis</u>	<u>Over</u>
				<u>(Under)</u>
<u>REVENUE:</u>				
Federal assistance	\$ 142,509	\$ 142,509	\$ 132,140	\$ (10,369)
Total revenue	<u>142,509</u>	<u>142,509</u>	<u>132,140</u>	<u>(10,369)</u>
<u>EXPENDITURES:</u>				
Salaries	69,490	69,490	94,305	24,815
Benefits	24,033	24,033	24,112	79
Purchased services	200	200	207	7
Supplies & materials	48,786	48,786	21,166	(27,620)
Capital outlay	-	-	-	-
Total expenditures	<u>142,509</u>	<u>142,509</u>	<u>139,790</u>	<u>(2,719)</u>
<u>EXCESS (DEFICIENCY) OF REVENUE AND OTHER</u>				
<u>FINANCING SOURCES OVER EXPENDITURES AND</u>				
<u>OTHER FINANCING USES</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,650)</u>	<u>\$ (7,650)</u>

HERITAGE ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE
IDEA PART B SCHOOL-AGE FUND
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Budgetary</u>	<u>Budget</u>
			<u>Basis</u>	<u>Over</u>
				<u>(Under)</u>
<u>REVENUE:</u>				
Federal assistance	\$ 29,736	\$ 29,736	\$ 36,665	\$ 6,929
Total revenue	<u>29,736</u>	<u>29,736</u>	<u>36,665</u>	<u>6,929</u>
<u>EXPENDITURES:</u>				
Salaries	18,175	18,175	27,279	9,104
Benefits	9,682	9,682	11,883	2,201
Purchased services	355	355	-	(355)
Supplies & materials	1,524	1,524	-	(1,524)
Capital outlay	-	-	-	-
Total expenditures	<u>29,736</u>	<u>29,736</u>	<u>39,162</u>	<u>9,426</u>
<u>EXCESS (DEFICIENCY) OF REVENUE AND OTHER</u>				
<u>FINANCING SOURCES OVER EXPENDITURES AND</u>				
<u>OTHER FINANCING USES</u>				
	\$ -	\$ -	\$ (2,497)	\$ (2,497)

HERITAGE ACADEMY, INC.
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
JUNE 30, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's portion of the net pension liability	0.0257439%	0.0233172%	0.0236209%	0.0232512%	0.0214847%	0.0214146%
Employer's proportionate share of the net pension liability	\$ 293,859	\$ 343,933	\$ 371,280	\$ 471,338	\$ 282,919	\$ 157,645
Employer's covered-employee payroll	\$ 874,364	\$ 750,203	\$ 733,648	\$ 680,027	\$ 601,776	\$ 580,149
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	33.61%	45.85%	50.61%	69.31%	47.01%	27.17%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	91.69%	90.68%	87.26%	91.38%	94.95%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Academy will present information for those years for which information is available.

Data reported is measured as of June 30, 2019

HERITAGE ACADEMY, INC.
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 98,978	\$ 84,923	\$ 83,049	\$ 76,979	\$ 68,121	\$ 65,673
Contribution in relation to the statutorily required contribution	<u>(98,978)</u>	<u>(84,923)</u>	<u>(83,049)</u>	<u>(76,979)</u>	<u>(68,121)</u>	<u>(65,673)</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 874,364	\$ 750,203	\$ 733,648	\$ 680,027	\$ 601,776	\$ 580,149
Contributions as a percentage of covered-employee payroll	11.32%	11.32%	11.32%	11.32%	11.32%	11.32%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Academy will present information for those years for which information is available.

Data reported is measured as of June 30, 2019

HERITAGE ACADEMY, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE 1 - BUDGETARY INFORMATION

A) Budgetary-GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedules compare the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on the budgetary basis do not differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP).

B) Budgetary Policies

Heritage Academy, Inc., prepares an annual budget of revenue and expenditures prior to the beginning of the fiscal year. The budget is prepared on the modified accrual basis of accounting. Budget figures are based on prior levels of revenue and expenditures taking into account specific items which may be planned in advance by the Academy such as capital outlay expenditures. Any excess of budgeted expenditures over budgeted revenue are temporary situations and are budgeted so as to utilize cash balances in the individual fund.

C) Budgeted Excess of Expenditures over Revenues

None of the funds had an excess of budgeted expenditures over budgeted revenues for the year ended June 30, 2020.

NOTE 2 - PENSION INFORMATION

A) Changes of benefit terms

None to report.

B) Changes in Composition of the Population Covered by the Benefit Terms

None to report.

C) Changes of Assumptions

None to report.

HERITAGE ACADEMY, INC.
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

	Technology Fund	Safe & Drug Free	ESSERF Fund	Medicaid	Title IV Student Support & Enrichment	Rural Education Achievement Program	Title II-A Teacher Quality	Total
ASSETS:								
Pooled cash and cash equivalents	\$ -	\$ 2,208	\$ -	\$ 621	\$ -	\$ -	\$ -	\$ 2,829
Other receivable	4,915	-	-	1,895	9,625	-	2,609	19,044
Prepaid expenses	-	-	441	-	-	-	-	441
	<u>\$ 4,915</u>	<u>\$ 2,208</u>	<u>\$ 441</u>	<u>\$ 2,516</u>	<u>\$ 9,625</u>	<u>\$ -</u>	<u>\$ 2,609</u>	<u>\$ 22,314</u>
LIABILITIES:								
Accounts payable	\$ 1,600	\$ -	\$ -	\$ 661	\$ -	\$ -	\$ -	\$ 2,261
Salaries and benefits payable	-	-	-	-	714	-	1,346	2,060
Due to other funds	3,315	-	441	-	8,911	-	1,263	13,930
	<u>4,915</u>	<u>-</u>	<u>441</u>	<u>661</u>	<u>9,625</u>	<u>-</u>	<u>2,609</u>	<u>18,251</u>
DEFERRED INFLOWS OF RESOURCES:								
Unavailable revenue - Federal grants	-	-	-	-	979	-	1,346	2,325
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>979</u>	<u>-</u>	<u>1,346</u>	<u>2,325</u>
FUND BALANCES:								
Nonspendable:								
Prepaid expenses	-	-	-	-	-	-	-	-
Restricted for:								
State Programs	-	2,208	-	-	-	-	-	2,208
Federal Programs	-	-	-	1,855	(979)	-	(1,346)	(470)
	<u>-</u>	<u>2,208</u>	<u>-</u>	<u>1,855</u>	<u>(979)</u>	<u>-</u>	<u>(1,346)</u>	<u>1,738</u>
TOTAL FUND BALANCES								
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 4,915</u>	<u>\$ 2,208</u>	<u>\$ 441</u>	<u>\$ 2,516</u>	<u>\$ 9,625</u>	<u>\$ -</u>	<u>\$ 2,609</u>	<u>\$ 22,314</u>

HERITAGE ACADEMY, INC.
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2020

	Technology Fund	Safe & Drug Free	ESSEFF Fund	Medicaid	Title IV Student Support & Enrichment	Rural Education Achievement Program	Title II-A Teacher Quality	Total
REVENUE:								
Federal assistance	\$ -	\$ -	\$ -	\$ 17,288	\$ 19,503	\$ 8,387	\$ 7,095	\$ 52,273
State assistance	47,082	4,120	-	-	-	-	-	51,202
Other local revenue	-	-	-	-	-	-	-	-
Total revenue	47,082	4,120	-	17,288	19,503	8,387	7,095	103,475
EXPENDITURES:								
Instruction - salaries and benefits	20,959	-	-	-	11,924	-	7,653	40,536
Instruction - other	28,811	3,679	-	3,987	8,293	8,387	-	53,157
Support services	-	-	-	57,725	-	-	-	57,725
Total expenditures	49,770	3,679	-	61,712	20,217	8,387	7,653	151,418
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(2,688)	441	-	(44,424)	(714)	-	(558)	(47,943)
OTHER FINANCING SOURCES (USES):								
Operating transfers in	-	-	-	46,279	-	-	-	46,279
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	46,279	-	-	-	46,279
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(2,688)	441	-	1,855	(714)	-	(558)	(1,664)
FUND BALANCE JULY 1, 2019	2,688	1,767	-	-	(265)	-	(788)	3,402
FUND BALANCE JUNE 30, 2020	\$ -	\$ 2,208	\$ -	\$ 1,855	\$ (979)	\$ -	\$ (1,346)	\$ 1,738

HERITAGE ACADEMY, INC.
SCHEDULE OF APPORTIONMENT - FOUNDATION PROGRAM
YEAR ENDED JUNE 30, 2020

Balance Receivable June 30, 2019	\$ 61,437
2019-20 Program	977,226
2019-20 Receipts	<u>(935,682)</u>
Balance Receivable June 30, 2020	<u>\$ 102,981</u>

COMPARATIVE STATE APPORTIONMENT DATA

Fiscal		
<u>Year</u>		
2020	\$ 977,226	
2019	1,258,403	
2018	997,605	
2017	1,071,876	
2016	999,980	
2015	965,062	
2014	909,087	
2013	718,459	
2012	635,042	

HERITAGE ACADEMY, INC.
SCHEDULE OF GENERAL REVENUES BY SOURCE

Year Ended June 30:	State Foundation Program	Other State Assistance	Federal Assistance	Interest on Investments	Sale of Lunches	Other
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2020	977,226	213,276	333,298	696	433	24,518
2019	1,258,403	253,056	337,098	405	633	19,203
2018	997,605	196,398	242,625	271	32	17,172
2017	1,071,876	181,349	264,578	277	115	22,239
2016	999,980	115,456	277,224	268	1,035	14,919
2015	965,062	96,095	273,523	201	1,508	28,374
2014	909,087	55,772	166,406	135	10,406	22,122
2013	718,459	36,728	143,351	226	8,989	21,470
2012	635,042	4,792	181,813	346	14,125	2,754

HERITAGE ACADEMY, INC.
SCHEDULE OF GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

<u>Year Ended June 30:</u>	<u>Instruction</u>	<u>Support Services</u>	<u>Non-Instructional Services</u>	<u>Debt Service & Retirement</u>	<u>Capital Outlay</u>
2020	\$1,064,123	\$ 254,116	\$ 304,386	\$...	\$...
2019	1,166,983	294,593	293,833	...	7,394
2018	912,699	254,283	264,674	48,776	24,776
2017	898,665	270,640	250,670	53,845	...
2016	769,120	330,741	235,486	54,333	...
2015	747,891	287,627	213,212	53,999	...
2014	739,683	202,942	187,920	51,602	...
2013	569,869	175,043	175,888	78,024	...
2012	469,756	214,724	226,835	84,500	...

Rexroat, Harberd & Assoc., P.A.

Certified Public Accountants

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Telephone 208-324-2391 Fax 208-324-8266

October 22, 2020

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Board of Trustees
Heritage Academy, Inc.
Jerome, Idaho 83338

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Heritage Academy, Inc., (Academy) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rexroat, Harberd & Assoc., P.A.